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Better Ethical Standards for Business

The Purpose of the Commercial Standards Council

By WILLIAMS HAYNES

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ALTHOUGH there is full knowledge of good and evil among business men, nevertheless, business ethics have always lacked the class consciousness of professional ethics and as a result, the ethical forces of business have not been well organized. Despite the Clayton Act and the Sherman Law, "fair and honest dealing" is as yet ill-defined; in many industries "trade custom" is still the only ethical code; what is condoned in one industry as a business necessity is condemned in another as business dishonesty. This confused and complicated situation has been hurt, rather than helped, during the past five years.

The mad scramble for the extra profits scattered broadcast before all industries by the War; the wholesale cancellations of contracts at the signing of the Armistice; the demoralization of both buyer and seller during the deflation period, are all reflected in business tendencies, commonly noted in many directions. And there is danger lest these tendencies develop and become fixed during the years of bitter competition that are before us. It is, therefore, significant that just at this time a national organization, composed of members drawn from every business field, should be formed with this avowed object: "To develop the highest commercial standards and to eliminate harmful business practices." This first co-operative association of the ethical forces of American business is known as the Commercial Standards Council.

The organization was born at a meeting in New York City in January of 1922. A group of men composed

largely of the officers of national business associations, called together by the author, met to discuss ways and means of assisting in the passage of the Judiciary Committee Bill (H. R. Bill 10159) "to further protect interstate and foreign commerce against bribery and other corrupt trade practices."

OBJECTS AND ORGANIZATION

For the purpose of fostering higher business standards and eliminating business malpractices, the Commercial Standards Council binds together commercial organizations of many types in many fields, and also firms and individuals interested in better business ethics. Its president, very fittingly, is a purchasing agent; its secretary, an advertising man. On its Executive Board serve a well known sales manager, the publisher of a business paper, representatives of the shipping and the paint and varnish industries, and a college professor. Affiliated with it are many business organizations representing credit men, purchasing agents, advertisers, sales managers, and manufacturers of such varied products as chemicals, printing inks, coal-tar dyes, office appliances, celluloid, disinfectants, hardwood lumber, paper, machinery, etc.

Its organization is informal. Membership is open to any association, firm, or individual interested in furthering the objects of the Council, and its funds are raised not by dues, but by the voluntary contributions of members. Headquarters are maintained at 19 Park Place, New York, where literature and membership applications may be obtained.

The work of the Council, administered by an Executive Board of seven, is to crystallize the best sentiment of American business, to inform business men and the public on questions of business ethics and to stimulate and direct efforts tending to the elimination of unfair and dishonest dealings. In the main, its work is being done indirectly through the direct efforts of the organizations affiliated with it. The Commercial Standards Council has set before it, as its first task, the elimination of commercial bribery, and to this end is conducting an educational campaign and working to secure the passage of federal legislation.

COMMERCIAL BRIBERY

The secret giving of commissions, money and other things of value to employes of customers for the purpose of influencing their buying powers, is an evil more widespread than is acknowledged. It is a peculiarly insidious and dangerous tendency since it blinds a man of character to his sincere, good convictions and forces him to yield to competitive pressure in the belief that to resist would be to court disaster. Commercial bribery, if allowed to proceed unchecked, will destroy legitimate competition, for it easily defeats honest advertising or efficient salesmanship and always frustrates efficient purchasing on the basis of quality and value. It affects vitally, therefore, both sellers and buyers, and is of direct concern to advertisers, salesmen, and purchasing agents; manufacturers, jobbers, and retailers. It adds tremendously to the cost of distributing all goods, and this unnecessary selling expense is naturally passed on to be paid ultimately by the American public.

Unfortunately, the evil is spreading. From its very nature, if it is not checked, it will honeycomb all American business, because the most sincere

and honest seller of goods is powerless, no matter what the quality or price of his product may be, to sell to a buyer whose purchases are controlled by graft. It takes many forms; not only the direct payment of a cash bribe, but special rebates, double invoices, coupons redeemable in goods, elaborate presents, extra commissions for quantity orders or quantity sales. It is found most commonly in connection with the sale of basic commodities used in manufacturing and in foodstuffs; but it is reaching throughout the manufacturing industries and even into the retail trades. Some industries, notably the paint and varnish manufacturers and the shipping interests, have had the high moral courage to admit the evil, but many industries, where it is common, do not acknowledge the fault.

PROPOSED FEDERAL LEGISLATION

The work of the Federal Trade Commission, the passage of various state laws against commercial bribery, the cases which have come into state courts under these acts, have all called attention to the spreading evil. Publicity is the only weapon of the Federal Trade Commission, and the state laws, since American business has largely wiped out state boundaries, are enforceable only in a single commonwealth. Neither can adequately cope with the national situation. On January 27, 1922, a federal bill was reported in the House of Representatives, by the direction of the House Committee on the Judiciary, to eliminate commercial bribery. This proposed bill is a model based on the experience of state laws and the laws of Great Britain and her colonies. It contains several significant features, without which no commercial bribery legislation can be effective:

1. Its scope covers not only direct bribe giving, but the falsification of

documents and the solicitation of bribes.

2. It provides that "trade custom" shall not be admissible or constitute a defense.

3. It provides immunity under the law to the person who shall first report the fact, under oath, to a federal district attorney. Thus it breaks up the conspiracy of silence between bribe giver and bribe taker that other commercial bribery laws enforce on both parties, and makes the law, through fear of exposure, a preventative measure.

4. It provides for a fine or imprisonment for proven breaches of the act.

AROUSED BUSINESS SENTIMENT

Excellent and practical as are the provisions of this proposed federal law, the Commercial Standards Council appreciates fully that American business must clean its own house. The law is a broom for this purpose, but the broom must be wielded by the force of public opinion. The Council is, therefore, collecting facts and figures about commercial bribery. It is showing American business men the commercial shortsightedness and the dishonesty of the practice. It is rousing the better

business sentiment of the country.

American business today faces a hard task. Economic readjustment has brought tremendous competition. In many industries there must be great curtailment of production unless export trade is developed, and this must be developed in spite of a war-won, undeserved reputation for sharp dealing. American business is freer from dishonesty and malpractice than most national commerce. An American business man, A. T. Stewart, gave to the world a fixed price in retail stores, abolishing haggling barter and discouraging completely the age old proverb: "Let the buyer beware." Known prices are the rule—not the exception—in most branches of American trade. American business has abolished the giving of secret rebates against transportation charges. American business has established advertising and salesmanship upon an honest basis of efficiency not known elsewhere in the world. Through the Commercial Standards Council, the right consciousness for fair dealing, inherent in the average American business man, has the opportunity for expression and for organized effort to establish higher business ethics.

A Simple Code of Business Ethics

By EDWARD A. FILENE

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GOOD will is one of the most important assets of any business. It is dependent basically on the confidence of the public. Public confidence, in turn, depends upon the real service to the community that the business performs.

Because of the recognition of this fact, many sets of "business principles," often unwritten, have grown up.

There has developed, also, a code of business ethics that, though unformulated, has perhaps obtained somewhat general recognition. There seems to be need of a simple written code. I propose the following:

1. A business, in order to have the right to succeed, must be of real service to the community.

2. Real service in business consists